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97TH CONGRESS
2d Session

HOUSE OF REPRESENTATIVES

REPT. 97-530
Part 1

COMPLETED

# DEFENSE INDUSTRIAL BASE REVITALIZATION ACT

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MAY 17, 1982.—Ordered to be printed

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Mr. PERKINS, from the committee on Education and Labor, submitted the following

## REPORT

together with

## MINORITY AND SEPARATE VIEWS

[To accompany H.R. 5540 which on February 10, 1982, was referred jointly to the Committee on Banking, Finance and Urban Affairs and the Committee on Education and Labor for a period ending not later than May 17, 1982]

[INCLUDING COST ESTIMATE OF THE CONGRESSIONAL BUDGET OFFICE]

The Committee on Education and Labor, to whom was referred the bill (H.R. 5540) to amend the Defense Production Act of 1950 to revitalize the defense industrial base of the United States, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike all after the enacting clause and insert in lieu thereof the following:

### SHORT TITLE

SECTION 1. This Act may be cited as the "Defense Industrial Base Revitalization Act".

### STRENGTHENING OF DOMESTIC CAPABILITY

"SEC. 2. Title III of the Defense Production Act of 1950 (50 U.S.C. App. 2091 et seq.) is amended by inserting after section 303 the following:

"SEC. 303A. (a) It is the purpose of this section to strengthen the domestic capability and capacity of the Nation's defense industrial base. The actions specified in this section are intended to facilitate the carrying out of such purpose.

"(b)(1) The President, utilizing the types of financial assistance specified in sections 301, 302, and 303, and any other authority contained in this Act, shall take immediate action to assist in the modernization of industries in the United States which are necessary to the manufacture of supply of national defense materials



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which are required for the national security or are likely to be required in a time of emergency or war.

"(2) Such assistance shall be provided only to small- and medium-sized businesses, as defined by the Secretary of Commerce, unless the President transmits to the Congress a formal notification that the interests of national defense require and exception to this limitation.

"(c) The Secretary of Defense, in consultation with the Secretary of Commerce, shall—

"(1) determine immeditately, and semiannually thereafter, those industries which should be given priority in the awarding of financial assistance under subsection (b);

"(2) determine the type and extent of financial assistance which should be made available to each such industry; and

"(3) with respect to the industries specified pursuant to paragraph (1), indicate those proposals, received under subsection (e), which should be given preference in the awarding of financial assistance under subsection (b) based on a determination that such proposals offer the greatest prospect for improving productivity and quality, and for providing materials which will reduce the Nation's reliance on imports.

"(d)(1) The President shall extend assistance under sections 301, 302, and 303, and any other authority contained in this Act, to persons engaged in the expansion of the domestic capability and capacity to produce or process critical and strategic metals, minerals and materials, including—

"(A) the conservation, substitution, and recycling of such metals, minerals and materials; and

"(B) the development of processes which lessen or obviate the need for such critical and strategic metals, minerals, and materials.

"(2) The President shall exercise the authority granted under this subsection in consultation with the Secretary of Defense, the Secretary of the Interior, the Secretary of Commerce, and the Director of the Federal Emergency Management Agency.

"(e) The President, in extending assistance under subsections (b) and (d), shall extend such assistance on the basis of proposal submitted in response to a series of public solicitations, the first of which shall be issued by the President within ninety calendar days following the date of the enactment of this section.

"(f)(1) Any contract for financial assistance which is awarded under subsection (b) or (d) and which utilizes financial assistance through purchase agreements specified in section 303 shall provide that the President has the right to refuse delivery of the items specified in such contract and to pay the person involved an amount equal to the amount by which the price for such items, as specified in the contract involved, exceeds the market price, as determined by the Secretary of Commerce, for such items on the delivery date specified in such contract.

"(2) Financial assistance under subsections (b) or (d) shall not be extended to assist establishments relocating from one area to another or to assist persons whose purpose is to divest, or whose economic success is dependent upon divesting, other persons of contracts theretofore customarily performed by them, except that such limitation shall not be construed to prohibit such financial assistance for the expansion of an existing business entity through the establishment of a new branch, affilitate, or subsidiary of such business entity if the President finds that the establishment of such branch, affiliate, or subsidiary will not result in an increase in unemployment of the area of original location or in any other area where such entity conducts business operations, unless the President has reason to believe that such branch, affilitate, or subsidiary is being established with the intention of closing down the operations of the existing business entity in the area of its original location or in any other area where it conducts such operations.

"(g)(1) There are authorized to be appropriated to carry out the provisions of subsections (b), (c), and (d) not to exceed $1,000,000,000 for each fiscal year beginning with fiscal year 1983 and continuing through fiscal year 1987. Such sums shall remain available until expended.

"(2)(A) In the use of loan guarantees, price guarantees, and direct loans as Federal financial incentives to accomplish the objectives of this section, the President may utilize the borrowing authority of the Treasury to the extent that the estimated ultimate net cost of such incentives to the Government does not exceed the total of appropriations made by the Congress to carry out the provisions of subsections (b), (c), and (d). Such estimates shall be based upon the past experience of the actual costs of Federal financial incentives under this Act and related expenses.

"(B) The use of loan guarantees, price guarantees, and direct loans under this section and the use of the borrowing authority of the Treasury under this subsection

shall be effective for any fiscal year only to such extent or in such amounts as are provided in advance in appropriations Acts.

"(h)(1) The President shall take immediate action to develop and implement a national program to train workers in skills—

"(A) which the President determines are necessary in the industries identified under subsection (b), (c), or (d); and

"(B) which the President determines are in short supply or are anticpated to be in short supply.

"(2)(A) Assistance under this program shall be in the form of a grant to a State board of vocational education or other agency or agencies designated by the Governor of the State involved. Such grants may be extended only if a State plan for a five-year program of skills training has been submitted to the President and approved by the President.

"(B) The President may, to the extent possible—

"(i) provide assistance in coordinating the State plans developed under this subsection; and

"(ii) provide technical assistance and support services in the implementation and conduct of programs of skills training which are carried out under this subsection.

"(3) The President shall not approve any State plan unless—

"(A) the State plan has been develop with the management and workers of the industries involved and with public and private educational institutions of the State;

"(B) the State plan includes workplace training and registered apprentice ship training programs;

"(C) the State plan is designed to ensure meaningful opportunities for participation by minorities and women;

"(D) the Governor of the State has certified in writing that the State plan will be carried out and that it meets the requirements of this subsection;

"(E) the State plan includes—

"(i) training;

"(ii) upgrading skills; and

"(iii) retraining of workers, in depressed industries, in surplus labor areas, or with occupational skills which might become obsolete because of industrial modernization or technological advancement, in skills which the President determines under paragraph (1) are necessary in the industries identified under subsection (b), (c), or (d) as necessary to the manufacture or supply of national defense materials which are required for the national security or are likely to be required in a time of emergency or war;

"(F) any bona fide public or private training program engaged in training workers in skills described in paragraph (1) is considered eligible to deliver such training services upon written application to the State board of vocational education or other agency or agencies designated by the Governor of the State involved under paragraph (2)(A);

"(G) the State employment and training council under Public Law 95-524 (or a comparable entity under a successor statute) has been given the opportunity—

"(i) to participate in the development of the plan;

"(ii) to review the plan for 30 days prior to its submission to the President; and

"(iii) to submit written comments along with the submission of the plan to the President;

"(H) the activities funded under this subsection will not duplicate facilities or services available in the area (with or without reimbursement) from Federal, State, or local sources, unless the plan provides evidence that alternative services or facilities would be more effective or more likely to achieve the objectives in paragraph (1) of this subsection;

"(I) the plan contains assurances that the activities funded under this subsection will be coordinated to the maximum extent feasible with other employment related programs in the State, through joint agreements, where practicable, with programs funded under the Comprehensive Employment and Training Act (or a successor statute) to assure maximum participation of eligible participants under that Act (or statute) in training programs funded under this subsection, and through consultation and coordination with certified apprenticeship plans, where such plans are in effect, to ensure that the plan does not duplicate or undermine existing certified apprenticeship programs; and

"(J) a certification is included which assures the following labor training standards and requirements will be met:

"(i) Conditions of training shall be appropriate and reasonable in the light of such factors as the type of work, geographical region, and proficiency of the participant.

"(ii) Health and safety standards established under State or Federal law, otherwise applicable to working conditions of employees, shall be equally applicable to working conditions of participants.

"(iii) To the extent that a State workers' compensation law is applicable, workers' compensation benefits in accordance with such law shall be available with respect to injuries suffered by participants.

"(iv) No currently employed worker shall be displaced by any participant (including partial displacement such as a reduction in the hours of nonovertime work, wages, or employment benefits).

"(v) No program shall impair existing contracts of employment.

"(vi) No person shall be trained for a job (I) when any other employee in the same workplace or plant is on layoff from the same or any substantially equivalent job, or (IIK) when the employer has terminated the employment of any regular employee or otherwise reduced its workforce with the intention of filling the vacancy so created by hiring a participant whose training is assisted under this subsection.

"(vii) No individual may be required to join a union as a condition of enrolling in a program assisted under this subsection in which only institutional training is provided, unless such institutional training involves individuals employed under a collective-bargaining agreement which contains a union security provision.

"(viii) No funds available under this subsection may be used to assist, promote, or deter union organizing.

"(4) Any grant to a State board of vocational education, or other agency or agencies designated by the Governor of the State involved under paragraph (2)(A), under this subsection shall be extended in any year only after the State involved has provided a contribution, from public or private resources, to carry out the State plan in an amount—

"(A) in the first year of the State plan, equal to 10 per centum of the cost of the State plan for such year;

"(B) in the second year of the State plan, equal to 20 per centum of the cost of the State plan for such year;

"(C) in the third year of the State plan, equal to 30 per centum of the cost of the State plan for such year;

"(D) in the fourth year of the State plan, equal to 40 per centum of the cost of the State plan for such year; and

"(E) in the fifth year of the State plan, equal to 50 per centum of the cost of the State plan for such year.

"(5) A State's contribution may include 'in kind' contributions of equipment, facilities, personnel, or services to the extent that such 'in kind' contribution is utilized in carrying out the State's plan. No such 'in kind' contribution may include equipment acquired under subsection (i).

"(6) The President shall act upon each State plan not later than ninety days after the date on which such State plan is received. Such action shall be based upon the recommendations of the Secretary of Defense, the Secretary of Labor, and the Secretary of Education.

"(7) No person shall be excluded from participation in, denied the benefits of, subjected to discrimination under, or denied training in the administration of or in connection with any such program because of race, color, religion, sex, national origin, age, handicap, or political affiliation or belief..

"(8) Not more than 5 percent of the amount of any grant made under this subsection may be used by a State board of vocational education, or other agency or agencies designated by the Governor of the State involved under paragraph (2)(A), for administrative expenses incurred in carrying out a State plan.

"(9) Assistance under this subsection may be used to purchase and install equipment for training purposes. The purchase of any such equipment shall be done by means of competitive bidding.

"(10) For purposes of installing Government-owned equipment pursuant to section 303(e), the term 'industrial facilities', as used in such section, shall include vocational schools, other schools offering technical and vocational training programs, and any other location in which workers are trained pursuant to this subsection.

"(11) There are authorized to be appropriated to carry out the provisions of this subsection not to exceed $250,000,000 for each fiscal year beginning with fiscal year 1983 and continuing through fiscal year 1987. Such sums shall remain available until expended.

"(i)(1)(A) The President shall take immediate action to develop and implement a grant program to assist colleges, universities, and other institutions of higher education in obtaining and installing modern equipment which shall be used to train professional, scientific, and technical personnel who are needed in the industries identified under subsection (b), (c), or (d).

"(B) All students and faculty studying, teaching, or conducting research at such an institution of higher education shall have access to such equipment for use in accordance with regulations and practices of such institution of higher education.

"(2) Any college, university, or other institution of higher education which desires to receive a grant under this subsection may submit an application to such Federal department or agency as the President shall designate. Each such application shall—

"(A) certify the cost of purchasing and installing the equipment involved; and

"(B) contain such other information as the President deems necessary.

"(3)(A) Each college, university, or other institution of higher education whose application is approved under this subsection may be required to provide a matching share of up to 50 percent of the cost of purchasing and installing the equipment involved.

"(B) The purchase of any such equipment shall be done by means of competitive bidding.

"(4) At the discretion of the President, equipment may be provided under section 303(e) to colleges, universities, and other institutions of higher education. For the purpose of such section, the term 'indistrial facilities' shall include colleges, universities, and other institutions of higher education.

"(5) There are authorized to be appropriated to carry out the provisions of this subsection not to exceed $100,000,000 for each fiscal year beginning with fiscal year 1983 and continuing through fiscal year 1987. Such sums shall remain available until expended.

"(j) Any equipment or plant financed through Federal assistance authorized by this section shall be of United States origin. No exception shall be made to this limitation unless the Secretary of Commerce makes a written determination that such equipment or plant of United States origin is not available and is not practicable to obtain.

"(k) The Comptroller General of the United States shall monitor the implementation of this section, conduct such audits as he determines to be necessary, and submit an annual report of this findings to the Congress at the beginning of each session of the Congress. The first such annual report shall be submitted in the year following the enactment of the Defense Industrial Base Revitalization Act.

"(l) In order to carry out the purposes of this section, the Office of Technology Assessment is directed to conduct a study of the public facilities or infrastructure essential to defense industrial base, and, at the beginning of each Congress, to report to the Congress with appropriate recommendations for measures to avoid serious impediments to the production and distribution of materiel.

"(m)(1) All laborers and mechanics employed for the construction, repair, or alteration of any project, or the installation of equipment, funded, in whole or in part, by a guarantee, loan, or grant entered into pursuant to this section shall be paid wages at rates not less than those prevailing on projects of similar character in the locality and determined by the Secretary of Labor in accordance with the Act entitled 'An Act relating to the rate of wages for laborers and mechanics employed on public buildings of the United States and the District of Columbia by contractors and subcontractors, and for other purposes', approved March 3, 1931 (40 U.S.C. 276a et seq.) and commonly known as the Davis-Bacon Act.

"(2) Guaranteeing agencies shall not extend guarantees and the President shall not make loans or grants for the construction, repair, or alteration of any project, or the installation of equipment, unless a certification is provided to the agency or the President, as the case may be, prior to the commencement of construction or at the time of filing an application for loan, guarantee or grant, if construction has already commenced, that these labor standards will be maintained at the project.

"(3) With respect to the labor standards specified in this subsection, the Secretary of Labor shall have the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 and section 276(c) of title 40, United States Code.

"(n) On October 1, 1982, and on the first business day of every second month beginning after such date, the President shall transmit a report to both Houses of the

Congress listing all loans, loan guarantees, and commitments for loan guarantees which were issued under this section during the two calendar months preceding the transmittal date of the report involved.

"(o) Notwithstanding any other provision of this section, no funds are authorized to be appropriated to carry out this section unless all of such funds are attributed to a budget function or budget allocation other than one affecting or relating to education or labor, the Department of Education or the Department of Labor, the Committee on Education and Labor of the House of Representatives or the Committee on Labor and Human Resources of the Senate, or any subcommittee of the Committee on Appropriations of either House primarily responsible for appropriations for education or labor.

"(p) For purposes of this section—

"(1) the term 'apprenticeship plan' means a plan approved by the Secretary of Labor pursuant to the National Apprenticeship Act (29 U.S.C. 50 et seq.);

"(2) the term 'State' means any of the several States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Vrigin Islands, the Northern Mariana Islands, American Samoa, the Trust Territory of the Pacific Islands, or any other teritory or possession of the United States; and

"(3) the term 'United States' means the several States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Virgian Islands, the Northern Mariana Islands, American Samoa, the Trust Territory of the Pacific Islands, and any other territory or possession of the United States."

AMENDMENTS TO DEFENSE PRODUCTION ACT OF 1950

SEC. 3. (a) Section 2 of the Defense production act of 1950 (50 U.S.C. App. 2062) is amended to read as follows:

"DECLARATION OF POLICY

"SEC. 2. (a)(1) In view of continuing international problems the Nation's demonstrated reliance on imports of materials and components, and the need for measures to reduce defense production lead times and bottlenecks, and in order to provide for the national defense and national security, our defense mobilization preparedness effort continues to require the development of preparedness programs, defense industrial base improvement measures, and the expansion of domestic productive capacity and supply beyond the levels needed to meet the civilian demand. Also required is some diversion of certain materials and facilities from civilan use to military and related purposes.

"(2) These activities are needed in order to improve defense industrial base efficiency and responsiveness, to reduce the time required for industrial mobilization in the event of an attack on the United States or to respond to actions occurring outside the United States which could result in the termination or reduction of the availability of strategic and critical materials, including energy, and which could adversely affect the national defense preparedness of the United States. In order to insure the national defense preparedness which is essential to national security, it is also necessary and appropriate to assure the availablilty of domestic energy supplies for national defense needs.

"(b)(1) In order to insure productive capacity in the event of an attack on the United States, it is the policy of the Congress to encourage the geographical dispersal of the industrial facilities of the United States in the interest of the national defense, and to discourage the concentration of such productive facilities within limited geographical areas which are vulnerable to attack by an enemy of the United States.

"(2) In the construction of any Government-owned industrial facility, in the rendition of any Government financial assistance for the construction, expansion, or improvement of any industrial facility, and in the production of goods and services, under this or any other Act, each department and agency of the executive branch shall apply, under the coordination of the Office of Defense Mobilization, when practicable and consistent with existing law and the desirability for maintaining a sound economy, the principle of the geographical dispersal of such facilities in the interest of national defense. however, nothing in this paragraph shall preclude the use of existing industrial facilities.

"(3) To ensure the adequacy of productive capacity and supply, executive agencies and departments responsible for defense acquisition shall continuously assess the capability of the defense industrial base to satisfy near-term requirements as well as increased mobilization production requirements. Such assessments shall specifically

evaluate the availability of adequate production sources, including subcontractors and suppliers, materials, and skilled labor, and professional and tehnical personnel.

"(4) It is the policy of the Congress that plans and programs to carry out this declaration of policy shall be undertaken with due consideration for promoting efficiency and competition.".

(b) Section 301 of the Defense Production Act of 1950 (50 U.S.C. App. 2091) is amended—

(1) in subsection (e)(1)(A), by striking out "$38,000,000" and inserting in lieu thereof "$50,000,000"; and

(2) in subsection (e)(1)(B)—

(A) by striking out "60 days" and inserting in lieu thereof "30 days";

(B) by striking out "60-day period" each place it appears therein and inserting in lieu thereof "30-day period";

(C) by inserting "(i)" after "such proposed obligation and"; and

(D) by striking out the period at the end of the first sentence thereof and inserting in lieu thereof the following: "or (ii) both Houses of Congress adopt a concurrent resolution approving such obligation. If the Congress adopts such a concurrent resolution, the guarantee involved may be made at any time after the date on which such concurrent resolution is adopted.".

(c) Section 302 of the Defense Production Act of 1950 (50 U.S.C. App. 2092) is amended—

(1) by striking out "60 days" and insertting in lieu thereof "30 days";

(2) by striking out "60-day period" each place it appears therein and inserting in lieu thereof "30-day period"; and

(3) in the second sentence thereof—

(A) by inserting "(A)" after "such proposed loan and"; and

(B) by striking out the period at the end thereof and inserting in lieu thereof the following: "or (B) both Houses of Congress adopt a concurrent resolution approving such loan. If the Congress adopts such a concurrent resolution, the loan involved may be made at any time after the date on which such concurrent resolution is adopted.".

(d) The first sentence of section 717(a) of the Defense Production Act of 1950 (50 U.S.C. App. 2166(a)) is amended by striking out "September 30, 1982" and inserting in lieu thereof "September 30, 1987".

(e) Section 720 of the Defense Production Act of 1950 (50 U.S.C. App. 2169) is hereby repealed.

(f) Section 701 of the Defense Production Act of 1950 (50 U.S.C. App. 2151) is amended by adding at the end thereof the following:

(e)(1)(A)(i) Any person signing a contract which involves the sale of any defense article or defense service for use by a nation other than the United States and which includes an offset agreement in excess of $5,000,000 shall file an annual report with the Secretary of the Treasury. Each such report shall include the total of all offsets, classified by the category of the defense material or defense services involved, entered into by such person during the three calendar years preceeding the year in which such report is filed. The first such annual report shall be filed with the Secretary of the Treasury not later than June 1, 1983. Subsequent annual reports shall be filed not later than June 1 of each year.

(ii) Except as provided in subparagraph (B) and notwithstanding any other provision of law, including section 552 of title 5, United States Code (commonly known as the Freedom of Information Act), the Secretary of the Treasury shall not disclose, except to the Congress, any information required to be reported pursuant to this subparagraph.

"(B) Not later than the first October 1 occurring more than ninety days after the date of the enactment of this subsection and not later than each October 1 occurring after such October 1, the Secretary of the Treasury shall submit to the Committee on Banking, Housing, and Urban Affairs of the Senate and to the Committee on Banking, Finance and Urban Affairs of the House of Representatives a report on the total number of contracts reported pursuant to subparagraph (A) and the total amount of offsets required by such contracts. Such report shall contain a breakdown of offsets by category of defense material or defense services involved and by recipient country.

"(2) For purposes of this subsection—

"(A) the term 'offset' means any international transaction between a buyer and seller that provides nonmonetary compensation which may include, but not be limited to, the transfer of production or technology to the buyer as a consideration for the purchase of a particular item or service; and

"(B) the term 'person' means any individual, sole proprietorship, partnership, or corporation.

"(3) This subsection shall cease to be effective five years after the date of the enactment of this subsection.".

## Introduction and Brief Summary of the Legislation

H.R. 5540 responds to a problem facing the United States today which carries the potential for undermining the Nation's role as the leader of the free world as well as its once unsurpassed economic strength.

The problem is the state of our defense industrial base.

Support industries are shrinking and in some cases disappearing.

We are dangerously dependent on foreign imports for vital materials which fuel our industries.

Skilled workers are aging while qualified replacements are not emerging in sufficient numbers.

There is a shortage of manpower, in both the trades and the professions, with the necessary skills to design, build, operate and maintain modern machinery and equipment.

Colleges, universities and technical schools lack sufficient financial resources to furnish their classrooms and laboratories with the modern equipment necessary to provide the highest quality education in rapidly changing scientific and technical disciplines.

That this state of affairs exists at a time when unemployment is at its highest level since World War II, when bankruptcies of businesses are occurring at an alarming rate, represents both a challenge and an opportunity.

The program initiatives of H.R. 5540 respond to the challenge that we must revitalize our industrial base. The revitalization program directed by the legislation provides the opportunity for job creation in place of job loss, productivity improvement instead of decline, and a resurgence of the global competitiveness necessary to the Nation's security and economic well-being.

The bill provides for financial assistance in the form of loans, loan guarantees, purchase agreements and price guarantees to high-priority small and medium-sized businesses which are necessary to the defense industrial base to enable them to modernize and upgrade their plant and equipment. Expansion of domestic production and processing of strategic and critical materials through the same types of financial incentives is also called for in the bill, with the requirement that the expansion program include conservation and recycling, substitution, and innovative processes which will reduce dependence on traditional forms of strategic materials.

$1 billion a year for each of the five fiscal years 1983–87, is authorized for this modernization and expansion program, with provision for leveraging loan guarantees and direct loans based on the estimated ultimate net cost to the Government.

The bill also establishes a skills training program to train workers in the skills which are required in the high-priority industries determined to be necessary to the defense industrial base. Workers with the necessary skills are in short supply in many cases, and shortages are growing. For grants on a cost-sharing basis to State boards of vocational education or other Governor-designated state agencies, $250,000,000 a year for each of the next five fiscal years is

authorized to train and retrain workers in the necessary skills, and to upgrade skills of workers to meet the requirements of newer, more advanced machinery and equipment. The training program could be conducted in a variety of public and private training institutions in the States, as well as in workplace training locations.

H.R. 5540 would also make available $100 million a year for each of the five fiscal years 1983-87 for grants to place modern equipment in schools of engineering and other institutions of higher education in order to provide state-of-the-art training of professional, scientific and technical personnel needed in the industries necessary to the defense industrial base.

H.R. 5540 also modernizes the language of the Declaration of Policy of the Defense Production Act of 1950 and makes certain other changes in the loan and loan guarantee provisions of the Act. The bill extends the authorities of the Act for five years, to September 30, 1987.

## Legislative Consideration

H.R. 5540 was introduced by Congressman Blanchard and several co-sponsors on February 10, 1982. The bill was jointly referred to the Committee on Banking, Finance and Urban Affairs and to the Committee on Education and Labor for a period ending not later than May 15, 1982 (since extended by the Speaker to May 17).

The Committee on Education and Labor met on May 5 to consider the legislation. At that time, the Committee approved a motion discharging the Subcommittee on Elementary, Secondary, and Vocational Education, the Subcommittee on Postsecondary Education and the Subcommittee on Employment Opportunities from further consideration of H.R. 5540 and called the bill up before the full Committee. The Committee met again on May 11 to mark up H.R. 5540, at which time the bill was ordered reported with amendments by unanimous voice vote.

In considering this bill expeditiously before the May 15 deadline, the Committee took into account the findings from the 28 days of oversight and legislative hearings conducted by the Subcommittee on Elementary, Secondary, and Vocational Education of this Congress on vocational education programs. Much of the testimony from those hearings called attention to the critical need for skilled workers in defense-related industries.

## Need for and Purpose of the Legislation

H.R. 5540 seeks to modernize and strengthen the nation's defense industrial base. Toward this end, the bill provides incentives to high-priority small and medium-sized industries to purchase new plant and equipment and financial incentives to expand and revitalize the domestic processing capability for strategic and critical minerals, metals, and materials.

The provisions of greatest interest to the Committee on Education and Labor, however, are those intended to train the skilled labor and professionals—the human capital—that constitute a vital component in an industrial modernization effort and are critical to our nation's defense.

This legislation was referred to the Education and Labor Committee because of our jurisdiction over vocational education programs, employment and training programs, and postsecondary education programs, all of which are addressed in H.R. 5540.

This Committee's discussion of the need for and provisions of this bill is therefore confined to the training programs and the higher education equipment program authorized by the legislation.

*The need for skilled labor*

Industrial modernization requires skilled labor, and this legislation provides for a five-year training program to meet the pressing need.

The President would be directed to take "immediate action" to develop and implement a national program to train and retrain workers and upgrade skills needed for priority industrial modernization and the domestic production of critical and strategic materials. Such skills would have to be in current short supply or anticipated short supply.

Representative James J. Blanchard of Michigan, Chairman of the Subcommittee on Economic Stabilization, noted May 6 when he presented H.R. 5540 before the Banking Committee the irony of skill shortages in our industrial base.

"Yes," he declared, "these are the very job skills you see help wanted ads for in our daily newspapers. Unfortunately, there are not enough people trained in these skills to fill present or anticipated job vacancies.

"Over the next five years, these job skill needs are expected to run in the hundreds of thousands—machinists, computer technicians, tool and die makers, mechanics—the list goes on and on. These job skills all have civilian applications as well and are needed throughout our economy.

"These are jobs where there are existing and anticipated vacancies. Can you believe it? Jobs going begging at a time when we have in many areas the highest unemployment rates since the Great Depression.

"What we say in this bill is: 'Let's start filling these jobs as quickly as we can.' "

By 1987, the Department of Defense projects a demand for more than 109 million workers in 73 different occupations, ranging from computer specialists to mechanics. Over 4 million of these jobs would result from defense-induced employment.

To face the future challenges of defense and civilian industrial production, the program outlined in H.R. 5540 is needed. A current shortage of skilled workers exists despite the current 40-year high in unemployment. The shortage is documented in the Department of Labor's publication, The Forecasting of Manpower Requirements. Some occupations listed were engineers, technicians, laboratory assistants, machinists, electricians, mechanics, machine repairmen, and office machine operators.

Further, the Department of Labor reports that we face a serious problem in meeting the demand for tool and die makers and machinists. Just to meet current requirements, the Labor Department estimates that nearly 9,000 tool and die makers and 22,000 new machinists will be needed each year through 1985. With the age of

tool and die makers and machinists averaging 47 and 58 years, respectively, attrition will account for 19,000 of these annual openings. Yet, the number of new journeymen for both trades combined totals only 5,000 per year, according to the Department of Labor Bureau of Apprenticeship and Training.

In the computer sciences, demand is estimated at 20 to 40 percent greater than current supply, with the demand for computer specialists projected to be more than 547,000 by 1987.

The shortage is evident. With over 9 million Americans currently unemployed, the matching of needed skills with workers in need of employable skills is necessary. This is the objective of the skills training program proposed in H.R. 5540.

By training workers in skills for needed jobs, by upgrading the skills possessed by workers to enable them to fill existing job openings, and by retraining workers in skills where there is a demand, the objective of H.R. 5540 can be accomplished.

Retraining is a vital component of the skills training program. Many industries are suffering from economic ills, thereby affecting the workers in those depressed industries. Retraining of workers in those industries is included in H.R. 5540. Also, retraining of workers in surplus labor areas is intended to focus the retraining efforts on high unemployment areas. Finally, workers whose skills have become obsolete because of technological advancement would be retrained under this program.

The Committee intends for all skills training under this legislation to train workers in those skills that will have long-term, viable usefulness for the worker.

H.R. 5540 provides an authorization of $250 million in grants annually over the next five years for job training on a cost-sharing basis with the states. For administrative reasons, the money would be funneled through State boards of vocational education or any other agency or agenices designated by that state's governor. Use of Federal funds for administrative expense is limited to five percent.

How much a state receives depends upon three major factors—the number of priority industries located there, what the skill shortages are for those industries located there, what the skill shortages are for those industries, and an acceptable state plan. Because all of these requirements are prospective in nature, depending on determinations made by the President, there is no set formula on distribution of funds. That should be wholly responsive to the needs of the defense industrial base, which the bill requires to be reassessed every six months to be kept current.

The state plan has a number of major requirements designed to bring about the widest possible participation of public and private resources in terms of people, materials, facilities, and services. A state plan must be developed with representatives from the management, workers, and unions of priority industries involved in training workers in the needed skills, or it will not be an acceptable state plan. The Committee intends that there be a substantial contribution by the private sector and this should be reflected in the state plan submitted to the President.

The Committee also stresses its intent that any boda fide public or private program capable of training workers in the required skills shall be considered eligible to deliver the training services.

State cost-sharing, consisting of both public and private resources, including in-kind contributions, would begin with 10 percent of the cost of the state plan the first year and then rise an additional 10 percent each following year up to 50 percent in the fifth year.

The bill includes a number of key amendments adopted by both the Education and Labor Committee and the Committee on Banking, Finance, and Urban Affairs that pertain to the education, training, and higher education equipment programs.

These particular amendments require close coordination with existing Federal job training and apprenticeship programs to avoid duplication and waste. They also would make certain that similar basic job training protections for workers and employers now in existing law would apply in a similar fashion and where appropriate to trainees and employers involved in the Defense Production Act program. In addition, H.R 5540 contains an anti-discrimination clause.

The Committee's bill also contains language requiring that the state plan be designed to ensure meaningful opportunities for participation by minorities and women. These groups currently have unemployment rates above the national average for all workers. The fact that this is so despite anti-discrimination laws now on the books calls for special attention in the state plans to this continuing problem. In this connection, there is some concern that those industrial modernization efforts involving new skills offer training, retraining, and upgrading skill opportunities within the urban industrial areas where many minorities reside. Too often, training in some skills, such as those relating to computers, are offered outside urban industrial areas. With the increasing use of robotics and other advanced equipment, this problem is worthy of new attention.

H.R. 5540 authorizes the President to provide assistance in coordinating State plans and to provide nationwide techical assistance and support services to State agencies participating in the programs for skills training conducted under this subsection. Support services include planning, evaluation, national training conferences, and the use of existing information systems.

From the sums provided, the President may fund an institution or organization for the fiscal years 1983 through 1987. The Committee wants to highly commend the work which has been performed by the National Center for Research in Vocational Education, Ohio State University, and expects the Administration would assign it this nationwide function if the President deemed it to be appropriate.

The National Center has performed all of the services on a nationwide basis envisioned for this provision in the bill and is fully qualified to immediately begin providing nationwide services to State agencies participating in the programs for skills training.

As Betty Vetter, Executive Director of the Scientific Manpower Commission, so aptly stated before the subcommittee on July 24, 1981, "Any significant revitalization of U.S. indusry will require

not only money to retool; it will require technologically trained manpower to design, manufacture, install, and maintain new machinery and equipment; to carry out the basic research which is the basis for new innovation; and the targeted research which builds on basic research for specialized applications."

*Modern equipment to train professionals*

A further objective of H.R. 5540 is to help universities, colleges, and institutions of higher education by updating equipment that would be used in the training of scientific, technical, and professional personnel who are needed in the priority industries listed for modernization and in the materials expansion program.

With the advances in science and high technology and the growing international competition in these areas, the existing high demand for qualified scientific and technically trained workers is growing.

The Department of Defense projects a demand for more than 1.25 million engineers by 1987, and the Bureau of Labor Statistics foresees an annual average of 93,000 job openings for engineers through 1990. During this same time frame, the Bureau would approximate an average annual supply of engineers at 77,000, leaving an annual shortfall of 16,000.

The educational institutions of this nation face a formidable challenge in educating and preparing students for the rapidly changing society in which we live.

Are colleges, universities, and institutions of this nation currently equipped to meet this challenge? The answer is doubtful.

Several problems plague our institutions of higher education. One is the retention of qualified faculty. In the high-technology and science fields, the competition from industry for knowledgeable, experienced personnel is fierce. With the offer of higher salaries and better equipment, the "brain drain" is increasing. Baccalaureate students are choosing to pursue careers more often than advanced degrees, limiting the number of persons holding Masters and Ph.D degrees.

Equipment is another problem. A growing gap exists in both quality and quantity between instructional equipment and industrial equipment.

In testimony before the subcommittee on July 24, 1981, Betty Vetter, Executive Director of the Scientific Manpower Commission, stated:

> * * * Equipment and instrumentation in science and engineering laboratories is both old and in short supply. Computer science department heads estimated in 1980 that a total capital investment of $79.2 million is needed now, and a 50 percent increase in the number of Ph.D. students would increase the required investment to about $95 million in computer science departments alone.
>
> Another study found that the average age of U.S. engineering laboratory equipment now exceeds 14 years * * *.
>
> "Funding must be found to upgrade university equipment, both for research and teaching."

To educate people properly for the jobs of tomorrow and to remain globally competitive in science and technology, requires the most modern equipment and instrumentation in our institutions of higher education.

According to Dean John C. Hancock of the School of Engineering at Purdue University, equipment is usually the last priority for funding because salaries for faculty need to be increased in an attempt to keep pace with industry. The average life of laboratory equipment used 7 days a week, 12 hours per day, is 4 years, and this figure does not account for obsolescence.

By updating equipment, not only would our institutions be providing quality education and training to students, but the improved facilities and working conditions would provide an incentive for faculty to remain in academia and encourage students to pursue higher degrees in a quality environment.

Colleges, universities and other institutions of higher education would be required to submit an application for a grant for the cost of the purchase and installation of equipment. In some cases, the applicant could be required to provide a matching share of up to 50 percent of the cost of the purchase and installation of the equipment. Otherwise, the Federal Government would fund 100 percent of the cost.

The importance of the funding provision was highlighted by Representative Stanley N. Lundine of New York, who stated that without the flexibility of this provision ". . . most of the instrumentation will go to the wealthier universities. They would be able to afford the match but maybe others will not.

"I would also point out, for flexibility, that the instrumentation varies from discipline to discipline. It might not take much for biology equipment, but it may take a great deal for physics. So we should allow for some variance in this."

The Committee intends that those colleges, universities, and institutions of higher education unable to provide part of the cost of acquiring equipment be given consideration equal to those applicants capable of providing all or a portion of a matching amount, taking into consideration the objective of the legislation.

Further, the Committee intends that any equipment purchased with funds provided under this program be accessible to all students and faculty studying, teaching, or doing research at the institution, according to the institution's regulations or practices. However, the college, university, or institution of higher education may set priorities for the use of equipment in conjunction with the training for which the equipment was purchased.

*Funding provisions*

H.R. 5540 authorizes $1.35 billion annually for the next five years, beginning with fiscal 1983, for programs to modernize the defense industrial base, train workers in high priority skills, increase the domestic production of critical and strategic materials and provide equipment to train professional, scientific, and technical personnel. Of this amount $250 million per year is for the job training grants and $100 million per year is for equipment grants to institutions of higher education.

The Committee bill includes a provision to make clear that funds for the training programs or higher education equipment program authorized by this legislation are not to be attributed to any budget function or budget allocation relating to education or labor, the Departments of Education and Labor, the House Committee on Education and Labor, the Senate Committee on Labor and Human Resources, or any Senate or House Appropriations Committee subcommittee primarily responsible for education or labor appropriations. The Committee adopted this amendment out of a concern that in the current fiscal climate, funds appropriated for this legislation could result in funds being shifted away from existing education and labor programs, which have already been the target of large budget cuts. The Committee wanted to insure that funding of the defense-related training or education equipment programs would not occur at the expense of other, ongoing education and labor programs. However, in no way is this amendment intended to diminish the Committee on Education and Labor's jurisdiction over the educational equipment and training programs authorized by this bill.

Related to this funding concern, the Committee also wishes to note the assurance from Chairman James R. Jones of the Budget Committee, that any funds appropriated for H.R. 5540 would fall within the National Defense function of the budget, not the education or labor functions. This understanding was confirmed through an exchange of letters between Chairman Jones and Chairman Fernand J. St Germain of the Banking Committee. The letters follow:

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS,
*Washington, D.C., April 26, 1982.*

Hon. JAMES R. JONES,
*Chairman, House Budget Committee,*
*U.S. House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: The Banking Committee will soon consider a bill, H.R. 5540, which amends the Defense Production Act and is intended to improve the defense related industrial base of the United States. I have attached a copy of the bill as it has been approved by our Subcommittee on Economic Stabilization. I would appreciate it if you would advise me on which functional category would include funds for this program, and which committee will receive the allocation for these funds in accordance with section 302 (a) and (b) of the Budget Act.

Sincerely,

FERNAND J. ST GERMAIN,
*Chairman.*

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE BUDGET,
*Washington, D.C., April 30, 1982.*

Hon. FERNAND J. ST GERMAIN,
*Chairman, Committee on Banking, Finance and Urban Affairs,*
*Rayburn House Office Building, Washington, D.C.*

DEAR MR. CHAIRMAN: In response to your inquiry of April 26, 1982, I requested staff to review H.R. 5540, which amends the De-

fense Production Act and is intended to improve the defense related industrial base of the United States.

As you know, pursuant to Section 302(a) of the Congressional Budget Act, the Statement of Managers accompanying a conference report on a budget resolution contains an estimated allocation of the levels of total new budget authority and total outlays among each House Committee (and Senate Committee) which has jurisdiction over bills and resolutions providing such new budget authority. The allocations are based upon the functional numbers set forth in the budget resolution.

Additionally, Section 302(b) provides that each committee receiving an allocation shall further subdivide it among its subcommittees or among programs under its jurisdiction and report such subdivision to its respective House. The Appropriations Committee is required to subdivide its allocation among its subcommittees.

I have been advised by staff that the budget authority necessary to fund H.R. 5540 would fall within Function 050, National Defense, in a budget resolution. Any such funds that are assumed in a budget resolution would be allocated pursuant to Section 302(a) to the Committee on Appropriations. To the extent that the Appropriations Committee would intend to fund such a program, that Committee would allocate the amount to the Defense Appropriations Subcommittee in its 302(b) subdivision.

I hope this answers any questions you had on this subject. Please do not hesitate to contact me or the Budget Committee staff if you have any further questions.

Sincerely,

JAMES R. JONES,
*Chairman.*

## OVERSIGHT

No findings or recommendations concerning oversight of the program authorized by this bill have been received by the Committee from the Committee on Government Operations. The insight gained from the ongoing oversight hearings conducted at the subcommittee level on the various vocational education, postsecondary education, and employment and training programs under the Committee's jurisdiction was brought to bear on our consideration of this legislation.

## COST ESTIMATE

The Congressional Budget Office has provided the following estimates of the costs which will be involved in implementing this legislation. The Committee concurs in these estimates and adopts them in compliance with clause 7 of rule XIII. No cost estimates have been received from any other Federal departments or agencies.

The Congressional Budget Office letter follows:

CONGRESSIONAL BUDGET OFFICE,
*Washington, D.C., May 14, 1982.*

Hon. CARL D. PERKINS,
*Chairman, Committee on Education and Labor,*
*U.S. House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act, the Congressional Budget Office has prepared the attached cost estimate for H.R. 5540, the Defense Industrial Base Revitalization Act as ordered reported by the Commitee on Education and Labor on May 11, 1982.

Should the Committee so desire, we would be pleased to provide further details on this estimate.

Sincerely,

JAMES BLUM
(For Alice M. Rivlin, *Director*).

CONGRESSIONAL BUDGET OFFICE—COST ESTIMATE—May 14, 1982

1. Bill number: H.R. 5540.
2. Bill title: Defense Industrial Base Revitalization Act.
3. Bill status: As ordered reported by the Committee on Education and Labor, on May 11, 1982.
4. Bill Purpose: The bill amends Titles III and VII (in part) of the Defense Production Act of 1950 by adding a new section 303A and by changing the expiration date to September 30, 1987. The amended act authorizes the following:

Financial assistance in the form of direct loans, loan guarantees, purchase agreements or price guarantees to small and medium-sized businesses to be used for the modernization of domestic industries necessary for national defense, or the expansion of domestic capability and capacity to produce or process strategic minerals, metals and materials;

Establishment of a five-year national program in cooperation with the States to train workers necessary for the industries important to national defense;

Provision of grant assistance to institutions of higher learning for obtaining and installing modern equipment for training personnel needed in the priority industries and in the strategic materials expansion program;

Industrial defense mobilization activities of the Department of Commerce;

Certain emergency preparedness functions funded in the Federal Emergency Management Agency;

The payment of interest on (1) disbursements incident to the expansion of production capacity and supply of strategic materials, and (2) the current market value of inventory of materials procured under Section 303 of the Defense Production Act. This is funded withiin the General Services Administration under the Federal Property Resources Service account.

5. Cost estimate: If activity under the Defense Production Act were to continue at levels consistent with the President's request for fiscal year 1983, the cost of the five year extension would be approximately $6 million in estimated authorization and outlays over the five-year span.

However, the addition of Section 303A under the Defense Industrial Base Revitalization Act would expand the authorization levels by $6.75 billion and estimated outlays by approximately $3.4 billion over the five-year interval, though the outlay cost will depend on how the President chooses to use the authority given to him in the bill.

[By fiscal year, in millions of dollars]

| | 1983 | 1984 | 1985 | 1986 | 1987 |
|---|---|---|---|---|---|
| Extension of termination date to September 30, 1987: | | | | | |
| Budget Function 370: | | | | | |
| Estimated authorizations | 1 | 1 | 1 | 1 | 1 |
| Estimated outlays | 1 | 1 | 1 | 1 | 1 |
| Budget Function 050: | | | | | |
| Estimated authorizations | (1) | (1) | (1) | (1) | (1) |
| Estimated outlays | (1) | (1) | (1) | (1) | (1) |
| Provisions under new Section 303A: | | | | | |
| Budget Function 050: | | | | | |
| Industrial modernization—(Subsection 2(g)) | | | | | |
| Loan guarantees: | | | | | |
| Estimated authorizations | 500 | 500 | 500 | 500 | 500 |
| Estimated outlays | 5 | 73 | 229 | 324 | 362 |
| Purchase/price guarantees: | | | | | |
| Estimated authorizations | 500 | 500 | 500 | 500 | 500 |
| Estimated outlays | 8 | 110 | 150 | 190 | 230 |
| State training grants: (Subsection 2(h)) | | | | | |
| Authorization level | 250 | 250 | 250 | 250 | 250 |
| Estimated outlays | 125 | 313 | 250 | 250 | 250 |
| College equipment—(subsection 2(i)) | | | | | |
| Authorization level | 100 | 100 | 100 | 100 | 100 |
| Estimated outlays | 50 | 130 | 100 | 100 | 100 |
| Total Authorizations | 1,351 | 1,351 | 1,351 | 1,351 | 1,351 |
| Total Estimated outlays | 189 | 627 | 730 | 865 | 943 |

[1] Amount less than 500 thousand.

The addition of Section 303A also affects the credit budget. Under the assumptions used to generate cost estimates for Section 303A, the total impact on the credit budget will be $11.3 billion in new loan guarantee commitments over the five-year life of the bill. These assumptions are detailed in the following section.

CREDIT BUDGET IMPACT

[By fiscal year, in millions of dollars]

| | 1983 | 1984 | 1985 | 1986 | 1987 |
|---|---|---|---|---|---|
| New loan guarantee commitments | 2,250 | 2,250 | 2,250 | 2,250 | 2,250 |

6. Basis for estimate: Except where indicated, the authorization amounts are those stated in the bill. It is assumed that the full amount will be appropriated before each fiscal year.

The estimate for the cost of extending the existing provisions under the Defense Production Act is based on the Administration's plans for 1983. These would require a little over $1 million for the Department of Commerce mobilization activities and approximately $0.2 million for activities carried out by the Federal Emergency

Management Agency. The five-year estimate assumes a constant real level of activities with budget amounts adjusted to include CBO inflation assumptions.

The major cost of this bill is associated with implementation of Section 303A, that directs the President to expand and solidify the national defense industrial base. Three subsections (2(g), 2(h) and 2(i)) authorize appropriations; outlays are estimated using several key assumptions.

The estimate for subsection 2(g), assumes that one-half of authorized funds will be used for loan guarantees, and one-half for purchase contracts with prices guaranteed in the contract to small and medium-sized businesses for industrial modernization and strategic mineral capacity expansion. The outlays calculated under the loan guarantee portion of the program are based on the experience of the Small Business Administration (SBA). The present average default rate on SBA guaranteed loans is 21.8 percent over the life of the loans. Given this default rate, the maximum amount of loans that could be guaranteed over the five-year span covered by the Act so that total outlays would not exceed the estimated amount authorized for payment of defaulted loans would be approximately $11.3 billion. New loan guarantee commitments would equal almost $2.3 billion in each fiscal year 1983 through 1987. This implies a leveraging ratio for the $500 million per year of 4.5-to-1. Each year's outlays are estimated employing SBA experience of the timing of loan defaults, including a 30 percent ultimate recovery of repurchased loans.

In each year, $500 million has been assumed will be authorized for purchase contracts and price guarantees under the Act. Costs of these financial incentive instruments are more difficult to estimate in that they will depend on what is produced, what is purchased, and the amount that the guaranteed price exceeds the prevailing market price. The estimate assumes that purchase contracts will be calculated or specified in such a way as to prohibit expenditure of more than the $500 million per year when plants are producing up to capacity. As technological risks in industries providing basic materials for defense are relatively small, and manufacturers of these materials guaranteed under the act are not expected to have significantly different cost experiences from other manufacturers, it has been assumed that there will be no costs associated with the price guarantees provided for in the Act. The cost of the purchase contracts thus is phased in slowly over the five years as products become available for purchase. Also included in the estimate are approximations for administrative costs based on the costs of administering similar programs.

Outlays of the worker training authorized under subsection 2(h) have been estimate based on experiences of the Manpower Development and Training Act and the Comprehensive Employment and Training Act (CETA). The first-year estimated outlays are assumed to be somewhat lower than outlay patterns or either of the above acts because of the stipulation under Subsection 2(h) requiring extensive States' participation in the program. Outlays estimated for the first year are 50 percent of total authorizations which is also consistent with the CBO's estimates for several CETA programs being transferred to the States in fiscal year 1983.

Finally, outlays associated with Subsection 2(i) are estimated assuming a slow first-year spendout of authorized funds. This slow rate is typical of new programs. The spendout rate for funds authorized under this subsection is assumed to level off at a higher constant rate after the first year.

7. Estimate comparison: None.

8. Previous CBO estimate: Estimate of May 14, 1982 for H.R. 5540 as ordered reported by the Committee on Banking, Finance and Urban Affairs, May 6, 1982.

The estimates are identical because differences in the bills' language have no cost impact.

9. Estimate prepared by: Barbara M. Hollinshead and Michael A. Miller.

10. Estimate approved by:

C. G. NUCKOLS
(For James L. Blum,
*Assistant Director for Budget Analysis).*

### INFLATIONARY IMPACT

There should be no inflationary impact of this legislation from its direct effect on budget outlays and the deficit. Based on the past experience of financial incentives used under the Defense Production Act, benefits in terms of economic activity, employment, and increased Federal, state, and local tax revenues far exceeded Federal funds actually spent. That ratio is at least nine to one on the side of benefits.

If the legislation is implemented according to the full extent of its congressional mandate, industrial modernization should strengthen the subcontractor and supplier base, encouraging a strong competition among domestic firms for defense business and, indeed, in many civilian markets. Increases in production and worker productivity should dampen costs.

Improved quality and the reduction in reject parts also should bring cost savings. Less reliance on foreign imports will reduce the dollar outflow overseas, improve the Nation's trade balance and balance of payments with corresponding favorable effects on the exchange rate of the dollar. All credit assistance and grants under H.R. 5540 will be used and invested in high-priority national security objectives and will be wealth-creating in economic character because of their dual application to the civilian economy as well as the defense industrial base. Industrial capability and capacity are both strengthened to meet the needs of the projected defense build-up and any economic recovery.

## SECTION-BY-SECTION SUMMARY OF H.R. 5540

### SKILLS TRAINING

Subsection (h) directs the President to establish and implement a five-year national program to train workers in skills which are necessary in the priority industries identified in subsection (b) and (c) and in the strategic and critical minerals, metals, and materials expansion program of subsection (d), and for which skills there is, or is anticipated to be, a shortage. He may provide technical and co-

ordinating assistance and support services to meet the objectives of this subsection.

Financial assistance for the program is in the form of annual grants, provided on a shared cost basis to State boards of vocational education or other agency or agencies designated by the Governor. A grant may be extended to the board of vocational education or the designated administrator only after the State involved has submitted a five-year plan, certified by the Governor of the State and approved by the President, for carrying out a skills training program. In addition, in each year of the plan, the State is required to provide a share of the cost for the year, on the following schedule: In the first year, 10 percent of that year's cost, with 90 percent provided by the Federal Government; in the second year, 20 percent from the State, 80 percent from the Federal Government; in the third year, 30 percent from the State, 70 percent from the Federal Government; in the fourth year, 40 percent from the State, 60 percent from the Federal Government; and in the fifth year, 50 percent each from the State and the Federal Government. The State's share may come from public or private sources, and may include "in kind" contributions of equipment, facilities, personnel, or services. Not more than 5 percent of the funds provided by this Federal Government may be used for the administrative expenses of this program. Discrimination on the basis of race, color, religion, sex, national origin, age, handicap, or political affiliation or belief is prohibited in the program.

Subsection (h)(3) sets forth requirements for the President's approval of a State's skills training plan: That it be developed with workers and management of priority industries and with the State's public and private educational institutions; that it include meaningful opportunities for participation by minorities and women; that it include in addition to skills training, upgrading skills of already trained workers, and retraining in the necessary skills of workers in industries which are depressed, workers in areas with surplus labor, and workers whose skills might become obsolete; and that it include programs of training in workplaces registered apprenticeship programs, and other bona fide public or private training programs in the state.

Subsection (h)(3) also requires coordination of the skills training program with any CETA or successor program through provisions for participation in the plan's development by the State employment and training council or a successor entity, and opportunity for prior review and subsequent comment by that entity. To maximize effective coordination, additional requirements of the plan prohibit duplication of other Federal, State or local programs unless necessary to achieve the objectives of the skills training program, make provision for joint agreements with CETA (or successor) programs, and require consultation and coordination with certified apprenticeship plans where they are in effect.

The State plan must also certify that certain labor training standards and protections are met. Health and safety standards under State or Federal law and State workers' compensation law are required to be met. The conditions of training are to be appropriate and reasonable in light of such factors as the type of work, geographical region and proficiency of the participant.

Protection against currently employed or laid-off worker displacement, impairment of employment contracts, or requirement of union membership where a collective-bargaining agreement with a union security provision is not in effect must be provided. The plan must also certify that funds for the skills training program will not be used either to aid or deter union organizing.

The subsection requires that the President take action on a State plan, based on recommendations of the Secretaries of Defense, Labor, and Education, within 90 days of receipt of the plan.

The subsection permits the Federal grant assistance to be used for purchase and installation of equipment for training purposes but requires that such equipment be purchased through competitive bids. Authority to install Government-owned equipment in private "industrial facilities" contained in section 303(e) of the Defense Production Act is extended to vocational schools, other schools offering technical and vocational training, and other worker training locations which are used in the program.

Funds authorized to be appropriated to carry out the subsection (h) skills training program are $250,000,000 in each of fiscal years 1983 through 1987, and are authorized to remain available until expanded.

### Higher Education Equipment Modernization

Subsection (i) directs the President to begin immediately to develop and implement a program of grants to institutions of higher education for obtaining and installing modern equipment for training professional, scientific, and technical personnel needed in the priority industries identified under subsections (b) and (c), and in the strategic and critical minerals, metals, and materials expansion program of subsection (d). Grantees may be required to pay part, up to 50 percent, of the cost of equipment purchase and installation. A grant is to be awarded on the basis of an application submitted by the institution of higher education which certifies the cost of the purchase and installation of the equipment. Such equipment must be purchased by competitive bid and must be accessible to all students and faculty at the institution in accordance with the institution's regulations and practices. Section 303(e) Defense Production Act authority to install Government-owned equipment in private facilities is extended to include colleges, universities, and other institutions of higher education.

Funds authorized to be appropriated for the subsection (i) program are $100,000,000 in each of fiscal years 1983 through 1987, and are to remain available until expended.

### Miscellaneous Provisions

Subsection (o) states that no funds are authorized to carry out this section of the bill unless the funds are attributed to a budget function or budget allocation other than one affecting or relating to education or labor, the Departments of Education and Labor, the House Committee on Education and Labor, the Senate Committee on Labor and Human Resources, or any subcommittee of the House and Senate appropriations committee primarily responsbile for education or labor appropriations.

Subsection (p) contains definitions of terms used in Section 303A. The terms "State" and "United States" each include, in addition to each of the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Virgin Islands, the Northern Marina Islands, American Samoa, the Trust Territory of the Pacific Islands, and any other territory or possession of the United States. The term "apprenticeship plan" is also defined.

## CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

## DEFENSE PRODUCTION ACT OF 1950

* * * * * * *

### [DECLARATION OF POLICY

[SEC. 2. In view of the present international situation and in order to provide for the national defense and national security, our mobilization effort continues to require some diversion of certain materials and facilities from civilian use to military and related purposes. It also requires the development of preparedness programs and the expansion of productive capacity and supply beyond the levels needed to meet the civilian demand, in order to reduce the time required for full mobilization in the event of an attack on the United States or to respond to actions occurring outside of the United States which could result in the termination or reduction of the availability of strategic and critical materials, including energy, and which would adversely affect the national defense preparedness of the United States. In order to insure the national defense preparedness which is essential to national security, it is also necessary and appropriate to assure domestic energy supplies for national defense needs.

[In order to insure productive capacity in the event of such an attack on the United States, it is the policy of the Congress to encourage the geographical dispersal of the industrial facilities of the United States in the interest of the national defense, and to discourage the concentration of such productive facilities within limited geographical areas which are vulnerable to attack by an enemy of the United States. In the construction of any Government-owned industrial facilities, in the rendition of any Government financial assistance for the construction, expansion, or improvement of any industrial facilities, and in the procurement of goods and services, under this or any other Act, each department and agency of the Executive Branch shall apply, under the coordination of the Office of Defense Mobilization, when practicable and consistent with existing law and the desirability for mantaining a sound economy, the principle of the geographical dispersal of such facilities in the interest of national defense. Nothing contained in this paragraph shall preclude the use of existing industrial facilities.]

*DECLARATION OF POLICY*

*SEC. 2. (a)(1) In view of continuing international problems, the Nation's demonstrated reliance on imports of materials and components, and the need for measures to reduce defense production lead times and bottlenecks, and in order to provide for the national defense and national security, our defense mobilization preparedness effort continues to require the development of preparedness programs, defense industrial base improvement measures, and the expansion of domestic productive capacity and supply beyond the levels needed to meet the civilian demand. Also required is some diversion of certain materials and facilities from civilian use to military and related purposes.*

*(2) These activities are needed in order to improve defense industrial base efficiency and responsiveness, to reduce the time required for industrial mobilization in the event of an attack on the United States or to respond to actions occurring outside the United States which could result in the termination or reduction of the availability of strategic and critical materials, including energy, and which could adversely affect the national defense preparedness of the United States. In order to insure the national defense preparedness which is essential to national security, it is also necessary and appropriate to assure the availability of domestic energy supplies for national defense needs.*

*(b)(1) In order to insure productive capacity in the event of an attack on the United States, it is the policy of the Congress to encourage the geographical dispersal of the industrial facilities of the United States in the interest of the national defense, and to discourage the concentration of such productive facilities within limited geographical areas which are vulnerable to attack by an enemy of the United States.*

*(2) In the construction of any Government-owned industrial facility, in the rendition of any Government financial assistance for the construction, expansion, or improvement of any industrial facility, and in the production of goods and services, under this or any other Act, each department and agency of the executive branch shall apply, under the coordination of the Office of Defense Mobilization, when practicable and consistent with existing law and the desirability for maintaining a sound economy, the principle of the geographical dispersal of such facilities in the interest of national defense. However, nothing in this paragraph shall preclude the use of existing industrial facilities.*

*(3) To ensure the adequacy of productive capacity and supply, executive agencies and departments responsible for defense acquisition shall continuously assess the capability of the defense industrial base to satisfy near-term requirements as well as increased mobilization production requirements. Such assessments shall specifically evaluate the availability of adequate production sources, including subcontractors and suppliers, materials, and skilled labor, and professional and technical personnel.*

*(4) It is the policy of the Congress that plans and programs to carry out this declaration of policy shall be undertaken with due consideration for promoting efficiency and competition.*

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## TITLE III—EXPANSION OF PRODUCTIVE CAPACITY AND SUPPLY

SEC. 301.(a) * * *

* * * * * * *

(e)(1)(A) Except as provided in subparagraph (B), the mazimum obligation of any guaranteeing agency under any loan, discount, advance, or commitment in connection therewith, entered into under this section shall not exceed [$38,000,000] *$50,000,000.*

(B) Guarantees which exceed the amount specified in subparagraph (A) may be entered into under this section only if the Committees on Armed Services of the Senate and the House of Representatives have been notified in writing of such proposed obligation and *(i)* [60 days] *30 days* of continuous session of Congress have expired following the date on which such notice was transmitted to such committees and neither House of Congress has adopted, within such [60]*30*-day period, a resolution disapproving such obligation *or (ii) both House of Congress adopt a concurrent resolution approving such obligation. If the Congress adopts such a concurrent resolution, the guarantee involved may be made at any time after the date on which such concurrent resolution is adopted.* For purposes of this subparagraph, the continuity of a session of Congress is broken only by an adjournment of the Congress sine die, and the days on which either House is not in session because of an adjournment of more than 3 days to a day certain are excluded in the computation of such [60-day] *30-day* period.

(2) The authority conferred by this section shall not be used primarily to prevent the financial insolvency or bankruptcy of any person, unless

(A) the President certifies that the insolvency or bankruptcy would have a direct and substantially adverse effect upon defense production; and

(B) a copy of such certification, together with a detailed justification thereof, is transmitted to the Congress and to the Committees on Banking and Currency of the respective Houses at least ten days prior to the exercise of that authority for such use.

SEC. 302. To expedite production and deliveries or services to aid in carrying out Government contracts for the procurement of materials or the performance of services for the national defense, the President may make provisions for loans (including participations, or guarantees of, loans) to private business enterprises (including research corporations not organized for profit) for the expansion of capacity, the development of technological processes, or the production of essential materials, including the exploration, development, and mining of strategic and critical metals and minerals, and manufacture of newsprint. Such loans may be made without regard to the limitations of existing law and on such terms and conditions as

the President deems necessary, except that (1) financial assistance may be extended only to the extent that it is not otherwise available on reasonable terms and (2) no such loan may be made in an amount in excess of $48,000,000 unless the Committees on Armed Services of the Senate and the House of Representatives have been notified in writing of such proposed loan and *(A)* [60] *30* days of continuous session of Congress have expired following the date on which such notice was transmitted to such Committees and neither House of Congress has adopted, within such [60-day] *30-day* period, a resolution disapproving such loan[.] *or (B) both Houses of Congress adopt a concurrent resolution approving such loans. If the Congress adopts such a concurrent resolution, the loan involved may be made at any time after the date on which such concurrent resolution is adopted.* For purposes of this section, the continuity of a session of Congress is broken only by an adjournment of the Congress sine die, and the days on which either House is not in session because of an adjournment of more than 3 days to a day certain are excluded in the computation of such [60-day] period.

* * * * * * *

*SEC. 303A. (a) It is the purpose of this section to strengthen the domestic capability and capacity of the Nation's defense industrial base. The actions specified in this section are intended to facilitate the carrying out of such purpose.*

*(b)(1) The President, utilizing the types of financial assistance specified in sections 301, 302, and 303, and any other authority contained in this Act, shall take immediate action to assist in the modernization of industries in the United States which are necessary to the manufacture or supply of national defense materials which are required for the national security or are likely to be required in a time of emergency or war.*

*(2) Such assistance shall be provided only to small- and medium-sized businesses, as defined by the Secretary of Commerce, unless the President transmits to the Congress a formal notification that the interests of national defense require an exception to this limitation.*

*(c) The Secretary of Defense, in consultation with the Secretary of Commerce, shall—*

*(1) determine immediately, and semiannually thereafter, those industries which should be given priority in the awarding of financial assistance under subsection (b);*

*(2) determine the type and extent of financial assistance which should be made available to each such industry; and*

*(3) with respect to the industries specified pursuant to paragraph (1), indicate those proposals, received under subsection (e), which should be given preference in the awarding of financial assistance under subsection (b) based on a determination that such proposals offer the greatest prospect for improving productivity and quality, and for providing materials which will reduce the Nation's reliance on imports.*

*(d)(1) The President shall extend assistance under sections 301, 302, and 303, and any other authority contained in this Act, to persons engaged in the expansion of the domestic capability and capacity to produce or process critical and strategic metals, minerals, and materials, including—*

*(A) the conservation, substitution, and recycling of such metals, minerals, and materials; and*

*(B) the development of processes which lessen or obviate the need for such critical and strategic metals, minerals, and materials.*

*(2) The President shall exercise the authority granted under this subsection in consultation with the Secretary of Defense, the Secretary of the Interior, the Secretary of Commerce, and the Director of the Federal Emergency Management Agency.*

*(e) The President, in extending assistance under subsections (b) and (d), shall extend such assistance on the basis of proposals submitted in response to a series of public solicitations, the first of which shall be issued by the President within ninety calendar days following the date of the enactment of this section.*

*(f)(1) Any contract for financial assistance which is awarded under subsection (b) or (d) and which utilizes financial assistance through purchase agreements specified in section 303 shall provide that the President has the right to refuse delivery of the items specified in such contract and to pay the person involved an amount equal to the amount by which the price for such items, as specified in the contract involved, exceeds the market price, as determined by the Secretary of Commerce, for such items on the delivery date specified in such contract.*

*(2) Financial assistance under subsections (b) or (d) shall not be extended to assist establishments relocating from one area to another or to assist persons whose purpose is to divest, or whose economic success is dependent upon divesting other persons of contracts theretofore customarily performed by them, except that such limitation shall not be construed to prohibit such financial assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary of such business entity if the President finds that the establishment of such branch, affiliate, or subsidiary will not result in an increase in unemployment of the area of original location or in any other area where such entity conducts business operations, unless the President has reason to believe that such branch, affiliate, or subsidiary is being established with the intention of closing down the operations of the existing business entity in the area of its original location or in any other area where it conducts such operations.*

*(g)(1) There are authorized to be appropriated to carry out the provisions of subsections (b), (c), and (d) not to exceed $1,000,000,000 for each fiscal year beginning with fiscal year 1983 and continuing through fiscal year 1987. Such sums shall remain available until expended.*

*(2)(A) In the use of loan guarantees, price guarantees, and direct loans as Federal financial incentives to accomplish the objectives of this section, the President may utilize the borrowing authority of the Treasury to the extent that the estimated ultimate net cost of such incentives to the Government does not exceed the total of appropriations made by the Congress to carry out the provisions of subsections (b), (c), and (d). Such estimates shall be based upon the past experience of the actual costs of Federal financial incentives under this Act and related expenses.*

*(B) The use of loan guarantees, price guarantees, and direct loans under this section and the use of the borrowing authority of the Treasury under this subsection shall be effective for any fiscal year only to such extent or in such amounts as are provided in advance in appropriations Acts.*

*(h)(1) The President shall take immediate action to develop and implement a national program to train workers in skills—*

*(A) Which the President determines are necessary in the industries identified under subsection (b), (c), or (d); and*

*(B) which the President determines are in short supply or are anticipated to be in short supply.*

*(2)(A) Assistance under this program shall be in the form of a grant to a State board of vocational education or other agency or agencies designated by the Governor of the State involved. Such grants may be extended only if a State plan for a five-year program of skills training has been submitted to the President and approved by the President.*

*(B) The President may, to the extent possible—*

*(i) provide assistance in coordinating the State plans developed under this subsection; and*

*(ii) provide technical assistance and support services in the implementation and conduct of programs of skills training which are carried out under this subsection.*

*(3) The President shall not approve any State plan unless—*

*(A) the State plan has been developed with the management and workers of the industries involved and with public and private educational institutions of the State;*

*(B) the State plan includes workplace training and registered apprenticeship training programs;*

*(C) the State plan is designed to ensure meaningful opportunities for participation by minorities and women;*

*(D) the Governor of the State has certified in writing that the State plan will be carried out and that it meets the requirements of this subsection;*

*(E) the State plan includes—*

*(i) training;*

*(ii) upgrading skills; and*

*(iii) retraining of workers, in depressed industries, in surplus labor areas, or with occupational skills which might become obsolete because of industrial modernization or technological advancement, in skills which the President determines under paragraph (1) are necessary in the industries identified under subsection (b), (c), or (d) as necessary to the manufacture or supply of national defense materials which are required for the national security or are likely to be required in a time of emergency or war;*

*(F) any bona fide public or private training program engaged in training workers in skills described in paragraph (1) is considered eligible to deliver such training services upon written application to the State board of vocational education or other agency or agencies designated by the Governor of the State involved under paragraph (2)(A);*

*(G) the State employment and training council under Public Law 95-524 (or a comparable entity under a successor statute) has been given the opportunity—*

*(i) to participate in the development of the plan;*

*(ii) to review the plan for 30 days prior to its submission to the President; and*

*(iii) to submit written comments along with the submission of the plan to the President;*

*(H) the activities funded under this subsection will not duplicate facilities or services available in the area (with or without reimbursement) from Federal, State, or local sources, unless the plan provides evidence that alternative services or facilities would be more effective or more likely to achieve the objectives in paragraph (1) of this subsection;*

*(I) the plan contains assurances that the activities funded under this subsection will be coordinated to the maximum extent feasible with other employment related programs in the State, through joint agreements, where practicable, with programs funded under the Comprehensive Employment and Training Act (or a successor statute) to assure maximum participation of eligible participants under that Act (or statute) in training programs funded under this subsection, and through consultation and coordination with certified apprenticeship plans, where such plans are in effect, to ensure that the plan does not duplicate or undermine existing certified apprenticeship programs; and*

*(J) a certification in included which assures the following labor training standards and requirements will be met:*

*(i) Conditions of training shall be appropriate and reasonable in the light of such factors as the type of work, geographical region, and proficiency of the participant.*

*(ii) Health and safety standards established under State and Federal law, otherwise applicable to working conditions of employees, shall be equally applicable to working conditions of participants.*

*(iii) To the extent that a State workers' compensation law is applicable, workers' compensation benefits in accordance with such law shall be available with respect to injuries suffered by participants.*

*(iv) no currently employed worker shall be displaced by any participant (including partial displacement such as a reduction in the hours of nonovertime work, wages, or employment benefits).*

*(v) No program shall impair existing contracts of employment.*

*(vi) No peson shall be trained for a job (I) when any other employee in the same workplace or plant is on layoff from the same or any substantially equivalent job, or (II) when the employer has terminated the employment of any regular employee or otherwise reduced its workforce with the intention of filling the vacancy so created by hiring a participant whose training is assisted under this subsection.*

*(vii) No individual may be required to join a union as a condition of enrolling in a program assisted under this sub-*

*section in which only institutional training is provided, unless such institutional training involves individuals employed under a collective-bargaining agreement which contains a union security provision.*

*(viii) No funds available under this subsection may be used to assist, promote, or deter union organizing.*

*(4) Any grant to a State board of vocational education, or other agency or agencies designated by the Governor of the State involved under paragraph (2)(A), under this subsection shall be extended in any year only after the State involved has provided a contribution, from public or private resources, to carry out the State plan in an amount—*

*(A) in the first year of the State plan, equal to 10 per centum of the cost of the State plan for such year;*

*(B) in the second year of the State plan, equal to 20 per centum of the cost of the State plan for such year;*

*(C) in the third year of the State plan, equal to 30 per centum of the cost of the State plan for such year;*

*(D) in the fourth year of the State plan, equal to 40 per centum of the cost of the State plan for such year; and*

*(E) in the fifth year of the State plan, equal to 50 per centum of the cost of the State plan for such year.*

*(5) A State's contribution may include "in kind" contributions of equipment, facilities, personnel, or services to the extent that such "in kind" contribution is utilized in carrying out the State's plan. No such "in kind" contribution may include equipment acquired under subsection (i).*

*(6) The President shall act upon each State plan not later than ninety days after the date on which such State plan is received. Such action shall be based upon the recommendations of the Secretary of Defense, the Secretary of Labor, and the Secretary of Education.*

*(7) No person shall be excluded from participation in, denied the benefits of, subjected to discrimination under, or denied training in the administration of or in connection with any such program because of race, color, religion, sex, national origin, age, handicap, or political affiliation or belief.*

*(8) Not more than 5 percent of the amount of any grant made under this subsection may be used by a State board of vocational education, or other agency or agencies designated by the Governor of the State involved under paragraph (2)(A), for administrative expenses incurred in carrying out a State plan.*

*(9) Assistance under this subsection may be used to purchase and install equipment for training purposes. The purchase of any such equipment shall be done by means of competitive bidding.*

*(10) For purposes of installing Government-owned equipment pursuant to section 303(e), the term "industrial facilities", as used in such section, shall include vocational schools, other schools offering technical and vocational training programs, and any other location in which workers are trained pursuant to this subsection.*

*(11) There are authorized to be appropriated to carry out the provisions of this subsection not to exceed $250,000,000 for each fiscal year beginning with fiscal year 1983 and continuing through fiscal year 1987. Such sums shall remain available until expended.*

*(i)(1)(A) The President shall take immediate action to develop and implement a grant program to assist colleges, universities, and other institutions of higher education in obtaining and installing modern equipment which shall be used to train professional, scientific, and technical personnel who are needed in the industries identified under subsection (b), (c), or (d).*

*(B) All students and faculty studying, teaching, or conducting research at such an institution or higher education shall have access to such equipment for use in accordance with regulations and practices of such institution of higher education.*

*Any college, university, or other institution of higher education which desires to receive a grant under this subsection may submit an application to such Federal department or agency as the President shall designate. Each such application shall—*

*(A) certify the cost of purchasing and installing the equipment involved; and*

*(B) contain such other information as the President deems necessary.*

*(3)(A) Each college, university, or other institution of higher education whose application is approved under this subsection may be required to provide a matching share of up to 50 percent of the cost of purchasing and installing the equipment involved.*

*(B) The purchase of any such equipment shall be done by means of competitive bidding.*

*(4) At the discretion of the President, equipment may be provided under section 303(e) to colleges, universities, and other institutions of higher education. For the purpose of such section, the term "industrial facilities" shall include colleges, universities, and other institutions of higer education.*

*(5) There are aurhorized to be appropriated to carry out the provisions of this subsection not to exceed $100,000,000 for each fiscal year beginning with fiscal year 1983 and continuing through fiscal year 1987. Such sums shall remain available until expended.*

*(j) Any equipment of plant financed through Federal assistance authorized by this section shall be of United States origin. No exception shall be made to this limitation unless the Secretary of Commerce makes a written determination that such equipment or plant of United States origin is not available and is not practicable to obtain.*

*(k) The Comptroller General of the United States shall monitor the implementation of this section, conduct such audits as he determines to be necessary, and submit an annual report of his findings to the Congress at the beginning of each session of the Congress. The first such annual report shall be submitted in the year following the enactment of the Defense Industrial Base Reviatalization Act.*

*(l) In order to carry out the purposes of this section, the Office of Technology Assessment is directed to conduct a study of the the public facilities of infrastructure essential of each Congress, to report to the Congress with appropriate recommendations for measures to avoid serious impediments to the production and distribution of material.*

*(m)(1) All laborers and mechanics employed for the construction, repair, or alteration of any project, or the installation of equipment, funded, in whole or in part, by a guarnatee, loan, or grant entered*

*into pursuant to this section shall be paid wages at rates not less than those prevailing on projects of similar character in the locality as determined by the Secretary of Labor in accordance with the Act entitled 'An Act relating to the rate of wages for laborers and mechanics employed on public buildings of the United States and the District of Columbia by contractors and subcontractors, and for other purposes', approved March 3, 1931 (40 U.S.C. 276a et seq.) and commonly known as the Davis-Bacon Act.*

*(2) Guaranteeing agencies shall not extend guarantees and the President shall not make loans or grants for the construction, repair, or alteration of any project, or the installation of equipment, unless a certification is provided to the agency or the President, as the case may be, prior to the commencement of construction or at the time of filing an application for loan, guarantee or grant, if construction has already commenced, that these labor standards will be maintained at the project.*

*(3) With respect to the labor standards specified in this subsection, the Secretary of Labor shall have the authority and function set forth in Reorganization Plan Numbered 14 of 1950 and section 276(c) of title 40, United States Code.*

*(n) On October 1, 1982, and on the first business day of every second month beginning after such date, the President shall transmit a report to both Houses of the Congress listing all loans, loan guarantees, and committments for loan guarantees which were issued under this section during the two calendar months preceding the transmittal date of the report involved.*

*(o) Notwithstanding any other provision of this section, no funds are authorized to be appropriated to carry out this section unless all of such funds are attributed to a budget function or budget allocation other than one affecting or relating to education or labor, the Department of Education or the Department of Labor, the Committee on Education and Labor of the House of Representatives or the Committee on Labor and Human Resources of the Senate, or any subcommittee of the Committee on Appropriations of either House primarily responsible for appropriations for education or labor.*

*(p) For purposes of this section—*

*(1) the term "apprenticeship plan" means a plan approved by the Secretary of Labor pursuant to the National Apprenticeship Act (29 U.S.C. 50 et seq.);*

*(2) the term "State" means any of the several States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Virgin Islands, the Northern Mariana Islands, American Samoa, the Trust Territory of the Pacific Islands, or any other territory or possession of the United States; and*

*(3) the term "United States" means the several States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Virgin Islands, the Northern Mariana Islands, American Samoa, the Trust Territory of the Pacific Islands, and any other territory or possession of the United States.*

## TITLE VII—GENERAL PROVISIONS

SEC. 701. (a) * * *

* * * * * * *

*(e)(1)(A)(i) Any person signing a contract which involves the sale of any defense article or defense service for use by a nation other than the United States and which includes an offset agreement in excess of $5,000,000 shall file an annual report with the Secretary of the Treasury. Each such report shall include the total of all offsets, classified by the category of the defense material or defense services involved, entered into by such person during the three calendar years preceding the year in which such report is filed. The first such annual report shall be filed with the Secretary of the Treasury not later than June 1, 1983. Subsequent annual reports shall be filed not later than June 1 of each year.*

*(ii) Except as provided in subparagraph (B) and notwithstanding any other provision of law, including section 552 of title 5, United States Code (commonly known as the Freedom of Information Act), the Secretary of the Treasury shall not disclose, except to the Congress, any information required to be reported pursuant to this subparagraph.*

*(B) Not later than the first October 1 occuring more than ninety days after the date of the enactment of this subsection and not later than each October 1 occurring after such October 1, the Secretary of the Treasury shall submit to the Committee on Banking, Housing, and Urban Affairs of the Senate and to the Committee on Banking, Finance and Urban Affairs of the House of Representatives a report on the total number of contracts reported pursuant to subparagraph (A) and the total amount of offsets required by such contracts. Such report shall contain a breakdown of offsets by category of defense material or defense services involved and by recipient country.*

*(2) For purposes of this subsection—*

*(A) the term "offset" means any international transaction between a buyer and seller that provides nonmonetary compensation which may include, but not be limited to, the transfer of production or technology to the buyer as a consideration for the purchase of a particular item or service; and*

*(B) the term "person" means any individual, sole proprietorship, partnership, or corporation.*

*(3) This subsection shall cease to be effective five years after the date of the enactment of this subsection.*

* * * * * * *

SEC. 717. (a) Title I (except section 104), title III, and title VII (except sections 708, 714, and 719) of this Act, and all authority conferred thereunder shall terminate at the close of [September 30, 1982] *September 30, 1987: Provided,* That all authority hereby or hereafter extended under title III of this Act shall be effective for any fiscal year only to such extent or in such amounts as are provided in advance in appropriation Acts. Section 714 of this Act, and all authority conferred thereunder, shall terminate at the close of July 31, 1953. Section 104, title II, and title VI of this Act, and all authority conferred thereunder shall terminate at the close of June 30, 1953. Title IV and V of this Act, and all authority conferred thereunder, shall terminate at the close of April 30, 1953.

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NATIONAL COMMISSION ON SUPPLIES AND SHORTAGES

[SEC. 720. (a) SHORT TITLE.—This section may be cited as the "National Commission on Supplies and Shortages Act of 1974".

[(b) FINDINGS.—(1) The United States is increasingly dependent on the importation from foreign nations of certain natural resources vital to commerce and the national defense.

[(2) Nations that export such resources can alone or in association with other nations arbitrarily raise the prices of such resources to levels which are unreasonable and disruptive of domestic and foreign economies.

[(3) Shortages of resources and commodities are becoming increasingly frequent in the United States, and such shortages cause undue inconvenience and expense to consumers and a burden on interstate commerce and the Nation's economy.

[(4) Existing institutions do not adequately identify and anticipate such shortages and do not adequately monitor, study, and analyze other market adversities involving specific industries and specific sectors of the economy.

[(5) Data with respect to such shortages and adversities is collected in various agencies of the Government for various purposes, but is not systematically coordinated and disseminated to the appropriate agencies and to the Congress.

[(c) PURPOSES.—It is the purpose of this Act to establish a national commission to facilitate more effective and informed responses to resource and commodity shortages and to report to the President and the Congress on needed institutional adjustments for examining and predicting shortages and on the existence or possibility of shortages with respect to essential resources and commodities.

[(d) ESTABLISHMENT OF COMMISSION.—There is established as an independent instrumentality of the Federal Government a National Commission on Supplies and Shortages (hereinafter referred to as the "Commission"). The Commission shall be comprised of thirteen members selected for such period of time as such Commission shall continue in existence (except that any individual appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term) as follows:

[(1) The President, in consultation with the majority and minority leaders of the Senate and the majority and minority leaders of the House of Representatives, shall appoint five members of the Commission from among persons in private life;

[(2) The President shall designate four senior officials of the executive branch to serve without additional compensation, and may appoint additional nonvoting ex officio members from agencies having jurisdiction over areas being considered by the Commission;

[(3) The President of the Senate, after consultation with the majority and minority leaders of the Senate, shall appoint two Senators to be members of the Commission and the Speaker of the House of Representatives, after consultation with the majority and minority leaders of the House of Representatives,

shall appoint two Representatives to be members of the Commission to serve without additional compensation.

[(e) CHAIRMAN AND VICE CHAIRMAN.—The President, in consultation with the majority and minority leaders of the Senate and the House of Representatives shall designate a Chairman and Vice Chairman of the Commission.

[(f) COMPENSATION.—Each member of the Commission appointed pursuant to subsection (d)(1) of this section shall be entitled to be compensated at a rate equal to the per diem equivalent of the rate for an individual occupying a position under level III of the Executive Schedule under section 5314 of title 5, United States Code, when engaged in the actual performance of duties as such a member, and all members of the Commission shall be entitled to reimbursement for travel, subsistence, and other necessary expenses incurred in the performance of their duties.

[(g) FUNCTIONS OF THE COMMISSION.—It shall be the function of the Commission to make reports to the President and to the Congress with respect to—

[(1) the existence or possibility of any long- or short-term shortages; employment, price or business practices; or market adversities affecting the supply of any natural resources, raw agriculture commodities, materials, manufactured products (including any possible impairment of productive capacity which may result from shortages in materials, resources, commodities, manufactured products, plant or equipment, or capital investment, and the causes of such shortages, practices, or adversities);

[(2) the adverse impact or possible adverse impact of such shortages, practices, or adversities upon consumers, in terms of price and lack of availability of desired goods;

[(3) the need for, and the assessment of, alternative actions necessary to increase the availability of the items referred to in paragraph (1) of this subsection, to correct the adversity or practice affecting the availability of any such items, or otherwise to mitigate the adverse impact or possible adverse impact of shortages, practices, or adversities upon consumers referred to in paragraph (2) of this subsection;

[(4) existing policies and practices of Government which may tend to affect the supply of natural resources and other commodities;

[(5) necessary legislative and administrative actions to develop a comprehensive strategic and economic stockpiling and inventories policies which facilitates the availability of essential resources;

[(6) the means by which information with respect to paragraphs (1), (2), (3), (4) of this subsection can be most effectively and economically gathered and coordinated.

[(h) REPORTS OF THE COMMISSION.—The Commission shall report not later than December 31, 1976, to the President and the Congress on specific recommendations with respect to institutional adjustments, including the advisability of establishing an independent agency to provide for a comprehensive data collection and storage system, to aid in examination and analysis of the supplies and shortages in the economy of the United States and in relation to

the rest of the world. The Commission may, until March 31, 1977, prepare, publish and transmit to the President and the Congress such other reports and recommendations as it deems appropriate.

[(i) ADVISORY COMMITTEE.—(1) The Commission is authorized to establish such advisory committees as may be necessary or appropriate to carry out any specific analytical or investigative undertakings on behalf of the Commission. Any such committee shall be subject to the relevant provisions of the Federal Advisory Committee Act.

[(2) The Commission shall establish an advisory committee to develop recommendations as to the establishment of a policy making process and structure within the executive and legislative branches of the Federal Government as a means to integrate the study of supplies and shortages of resources and commodities into the total problem of balanced national growth and development, and a system for coordinating these efforts with appropriate multi-State, regional and State governmental jurisdictions. For the purpose of carrying out the provision of this paragraph there is authorized to be appropriated not to exceed $150,000 to remain available until March 31, 1977.

[(j) *Staff and Powers of the Commission.*—(1) Subject to such rules and regulations as it may adopt, the Commission, through its Chairman, shall—

[(A) appoint and fix the compensation of an Executive Director at the rate provided for level III of the Executive Schedule under section 5314 of title 5, United States Code, and such additional staff personnel as is deemed necessasry, without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and without regard to chapter 51, and subchapter III of chapter 53 of such title relating to classification and the General Schedule under section 5332 of such title; and

[(B) be authorized to procure temporary and intermittent services to the same extent as is authorized by section 3109 of title 5, United States Code.

[(2) The Commission or any subcommittee thereof is authorized to hold hearings and to sit and act at such times and places, as it may deem advisable.

[(3) The Commission is authorized to contract with public or private agencies, institutions, corporations, and other organizations.

[(k) ASSISTANCE OF GOVERNMENT AGENCIES.—Each department, agency, and instrumentality of the Federal Government, including the Congress, consistent with the Constitution of the United States, and independent agencies, is authorized and directed to furnish to the Commission, upon request made by the Chairman, such data, reports, and other information as the Commission deems necessary to carry out its functions under this Act.

[(l) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to the Commission not to exceeed $1,484,000 to remain available until March 31, 1977, to carry out the provisions of this Act.]

## MINORITY VIEWS OF HON. JOHN N. ERLENBORN, HON. WILLIAM F. GOODLING, HON. THOMAS E. PETRI, HON. EUGENE JOHNSTON, AND HON. LARRY E. CRAIG

Our comments on H.R. 5540 and reasons for voting against this proposed legislation are confined to those sections of the bill which are under the primary jurisdiction of the Education and Labor Committee.

We object to the bill because it would establish another categorical training program that would be similar to other Federal training programs. The well known problems of duplication, overlapping jurisdiction, and state and local planning procedures with accompanying layers of bureaucracy are inherent in such an approach. The General Accounting Office, in raising concerns over this bill, has noted that it has issued a number of reports documenting that the existence of closely related categorical programs can cause duplication, overlap, and excessive administrative costs for grantees, impeding the coordination of services to clients.

The GAO further stated that "we, therefore, believe that creating another categorical grant program would not be the best way to achieve the bill's objective." We agree with the GAO that, if Congress and the President decide that it is in the national interest to invest additional federal dollars, such funds ought to be folded into an existing Federal training assistance program such as Vocational Education, that could be earmarked for accomplishing defense oriented objectives. It is ludicrous on its face to create a new separate categorical program and then design an elaborate mechanism and process to ensure that the new funds would be coordinated with those of other similar federally assisted employment and training programs.

In addition, subsection 303A(i) establishes a grant program to assist in updating equipment in higher education in order to serve the needs of the defense industrial base. This provisioin was expanded in the Banking Committee markup by an amendment which stated that all students and faculty studying, teaching, or conducting research at such an institution shall have access to such equipment. GAO felt that this section raises many questions regarding who decides which disciplines would be qualified and on what basis. Probably every field could demonstrate some link to defense needs. In addition, the bill sets no standards against which requests for equipment assistance can be judged. Without such standards, sophisticated equipment could be provided to requesting institutions that have neither the faculty nor students required to utilize them. Also, there is no provision in the legislation to allow the Federal government to recoup its investment in such equipment if a higher education institution fails to live up to its agreement on the use of the equipment once the equipment is installed.

It is significant that the other chamber of the Congress has not embarked on such a major new spending program. Keeping more in line with the fiscal realities, the other body apparently finds it unrealistic to propose a bill that would authorize $6.75 billion in price supports, loan guarantees, and other subsidies (including a new manpower training program and an equipment assistance provision for higher education institutions) for domestic production of defense-related materials. Instead, on May 12th, the Senate Banking, Housing, and Urban Affairs Committee reported a bill which would merely extend the existing Defense Production Act authorities for one year.

It should be noted that the Administration strongly opposes H.R. 5540. The Director of the Office of Management and Budget has recently written that the "Administration is strongly opposed to a proposal to expand the Defense Production Act by providing subsidies or manpower training for selected industries." The Administration prefers to rely on the marketplace, together with Administration economic, tax, and regulatory reforms to improve the competitiveness of U.S. industry.

For all of these reasons we cannot support H.R. 5540 and intend to oppose it when the measure is brought before the House.

JOHN N. ERLENBORN.
BILL GOODLING.
THOMAS E. PETRI.
EUGENE JOHNSTON.
LARRY E. CRAIG.

## SEPARATE VIEWS OF HON. JOHN N. ERLENBORN, HON. WILLIAM F. GOODLING, HON. EUGENE JOHNSTON, AND HON. LARRY E. CRAIG

The bill includes numerous labor standards which are either vague, unnecessary, or otherwise inappropriate, or should be stricken.

Most galling, perhaps, is extension of the Davis-Bacon Act to Federally assisted construction authorized in the bill. This law which applies to contracts over $2000 involving direct Federal construction or, where extended by statute, Federally assisted construction, requires that laborers and mechanics be paid the wages found to be prevailing in the locality by the Secretary of Labor. The Act which already affects 78 other Federal assistance programs is a depression-era relic that is impossible to administer effectively and grossly inflates Federal construction costs. The General Accounting Office, in its 1979 report recommending the Act's repeal ("The Davis-Bacon Act Should Be Repealed," HRD–79–18, April 27, 1979) stated, with respect to administration:

> We believe that the continuing problems in administering the act support our overall concern that a systematic management program to determine accurate prevailing wages for every classification of construction worker in each of the varying types of construction in literally every city and area in the Nation could never be achieved. Given the diverse characteristics of the construction industry, the large number of political subdivisions in the country, and the needed voluntary participation of contractors in providing wage data, it is doubtful that additional resources or improvements in administration would result in efficient and effective accomplishment of the act's legislative intent. (page 67)

About its inflationary impact, GAO concluded:

> Setting prevailing wages for federally financed construction, as required by the Davis-Bacon Act, has increased the direct cost of Federal construction. We estimate that, as a result of wages being established at higher rates than those actually prevailing in the area of the projects, construction costs for federally financed projects could be increased by an estimated $228 million to $513 million annually. (page 76)

The GAO has not been alone in its criticism. Even the Carter Administration in its confidential review of Federal contract wage laws could not ignore the inflationary impact of the Davis-Bacon Act. The study concluded that if adoption of numerous administrative reforms lowered prevailing wage determinations by 10 percent,

". . . a reasonable expectation, then total Federal dollar savings under the Davis-Bacon Act would be $1 billion . . .," reducing the rate of inflation by over two-tenths percent ("Options Paper: Interagency Review of Contract Wage Laws," cited in *Oversight Hearings on the Davis-Bacon Act,* Subcommittee on Labor, Senate Committee on Labor and Human Resources, 97th Congress, first session, page 8).

More recently, the Congressional Budget Office estimated that merely four statutory changes in the Act would yield for fiscal 1983 an over $803 million saving in budget authority and $239 million saving in outlays (Letter from Alice M. Rivlin to the Honorable Don Nickles, page 2).

The conclusion is crystal clear: The Davis-Bacon Act is an engine of inflation, robbing taxpayers of their purchasing power and swelling the Federal deficit. It is the quintessence of hypocrisy that this Congress can claim an interest in reducing the growth of spending, while it simultaneously saddles the budget with yet one more onerous special interest spending program.

Not only does H.R. 5540 extend the Davis-Bacon Act to any construction undertaken using financial assistance provided by the President, but the bill's language broadens the scope of the Act's application to activities undertaken through this program. First, coverage is not limited to laborers and mechanics employed by contractors and subcontractors but includes all laborers and mechanics employed on a project. Thus, employees of the direct recipient of Federal assistance not in a contractual relationship with the Federal government would be covered by the Act. Second, the Act would cover installation of equipment. Currently, installation of equipment is covered only if incident to other covered activity—construction, alteration, or repair; it enjoys no independent basis of coverage.

The interaction of these two provisions locks in Davis-Bacon coverage for direct recipients of financial assistance which install equipment regardless of any connection with construction, alteration, or repair work. Thus, the bill requires Davis-Bacon coverage for installing equipment used to train scientific and technical personnel as part of the bill's $100 million grant program to assist colleges, universities, and other institutions of higher education. Colleges and universities are direct recipients of Federal funds which typically would employ their own personnel to install such equipment. Under this bill it makes no difference that these "laborers and mechanics" are not employed by "contractors or subsontractors"; the bill requires they be paid the prevailing wage for installing equipment.

If the extension of the Davis-Bacon Act is the most egregious abomination; there are other labor standards provisions which, although stemming from similar or identical provisions in expiring CETA legislation, are either unnecessary, vague, or otherwise, inappropriate.

Language pertaining to labor standards relating to health and safety and workers' compensation coverage was refined by amend

ments offered by Mr. Erlenborn, but these standards, if they apply at all, apply to participants whether or not language is included in this bill. They are innocuous, but unnecessary.

A provision that not training program shall impair existing employment contracts merely creates a Federal contract right, with recourse to Federal courts, without adding to contractual protections available in general contract law, with disputes resolved through State court systems. It is simply inappropriate to create redundant protections and, thereby, further burden the Federal judiciary with litigation vindicating rights of a non-Federal essence.

Two labor standards provisions involve existing labor legislation and may inadvertently interfere with administration of the National Labor Relations Act. In calling for participants inclusion under union-security provisions of a collective bargaining agreement, the bill is pre-empting the authority Congress has conferred on the National Labor Relations Board to determine appropriate units for bargaining and the proper inclusion of employees in those units. This provision in the bill removes the certain and well established principles and procedures in both administrative and case law developed under the National Labor Relations Act and creates confusion and uncertainty in this technical area of labor-management relations law. Moreover, this provision may interfere with the collective bargaining contract itself, by statutorily including participants who the parties to the contract may wish excluded.

The pro ion prohibiting the use of funds to assist, promote, or deter union organizing is likewise redundant and therefore confusing in view of the National Labor Relations statute. The National Labor Relations Act presently makes it an unfair labor practice for employers to "dominate or interfere with the formation or administration of any labor organization or contribute financial or other support to it . . ." Section 8(a)(2) of the NLRA. It is also an unfair labor practice for an employer to "interfere with, restrain, or coerce employees in the exercise" of their rights under the National Labor Relations Act or "by discrimination in regard to hire or tenure of employment or any term or condition of employment to encourage or discourage membership in any labor organization". Section 8(a) (1) and (3) of the NLRA. Since 1935 the National Labor Relations Board has been interpreting, defining and refining those sections of the National Labor Relations Act to protect employees' rights to join or not to join a labor organization. Not only does the National Labor Relations Act define the prohibitions in broader and better terms than the provision of this bill, but it has the established machinery to interpret and enforce its statutory language. Without that administrative enforcement machinery, the provisions in this bill are only tools for additional legal action in the Federal Courts contrary to the intent of Congress to leave that technical expertise of interpreting the matters of union organizing and collective bargaining to the National Labor Relations Board.

The House should weigh carefully these drawbacks.

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